16th

Annual Report

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

2002 - 2003

CONTENTS

Message from the Chairman and CEO / 2
Message from Montcalm Community Liason Committee / 4
Operations / 5
Outlook / 6
Auditor's Report / 7
Balance Sheet / 8
Statement of Operations and Deficit / 9
Statement of Cash Flows / 10
Summary of Significant Accounting Policies / 11
Notes to Financial Statements / 12
Manitoba Hazardous Waste Management Corporation - Board of Directors / 14
Miller Environmental Corporation Management / 14

2002 - 2003 Highlights

- MEC plant records profit and accrues rent payable for third consecutive year to Manitoba Hazardous Waste Management Corporation (MHWMC).
- New equipment and processes introduced at plant.
- Strong marketing pays off for Miller Environmental Corp.
- CLC continues to monitor plant and site.
- Good relationship maintained between MHWMC and its partners.

Letter of Transmittal

The Honorable Peter Liba
Lieutenant Governor of the
Province of Manitoba

May it please your Honour:

I have the honour of presenting to you the Annual Report for the Manitoba Hazardous Waster Management Corporation for the year ended March 31, 2003.

Honourable Steve Ashton
Minister of Conservation responsible for the Manitoba Hazardous Waste Corporation

Environmental Policy Statement

While the Manitoba Hazardous Waste Management Corporation is no longer directly operating a waste managment business, it remains committed to its original goals.

Its principal objective is to develop a Manitoba hazardous waste management system that will both preserve and enhance the quality of the environment in the province.

This is a fundamental element of the provincial government's broader policy of fostering universal environmental stewarship and sustainable economic development in Manitoba.

In carrying out its mandate, the corporation uses these guidlines as the basis for decision-making:

1. Recycling, re-use and recovery at source must be promoted, encouraged and carried out to minimize waste generation and maximize resource conservation.

2. All projects and activities related to hazardous waste management and disposal must be consistent with the protection of public health and environmental quality.

3. Public approval of the disposal system and its components must be earned through open and responsive communication and through public participation in all aspects of system development and operation.

4. Economic development will be encouraged and generated by a cost-effective waste management system that enhances environmentally-based enterprises.

5. Contemporary environmental values and policies will be fostered and promoted through public education and research, as well as by example.

6. The corporation will assume in perpetuity the environmental stewardship for all wastes and residues placed in its custody.

OVERVIEW

This was the seventh year that Miller Environmental Corporation has operated the Manitoba Environmental Centre which was developed near St. Jean Baptiste by the Manitoba Hazardous Waste Management Corporation (MHWMC).

Miller Environmental was established in 1996 as a 50-50, public- private partnership between MHWMC, a provincial crown corporation, and Miller Waste Systems, a division of Miller Paving Ltd. of Markham, Ontario. Under the terms of the partnership, Miller Environmental is responsible for the operation of the environmental centre and its hazardous waste disposal business. The MHWMC owns the centre site and, as the landlord, is entitled to rent as its share of the profits.

Policy direction for Miller Environmental is shared by Miller Waste Systems and the Manitoba Government. Miller appoints five directors to the corporation's nine person board while the other four are provincial government nominees. As a stipulation of the partnership, two of the province's directors must be residents of the RM of Montcalm where the environmental centre is located on Highway 14, a mile west of the intersection with Highway 75. •

THE MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION BOARD

RICHARD A. GALLANT, *Chairman and Chief Executive Officer*
Mr. Gallant has been chair of the corporation since 1995 and a director since 1992. An active community worker in the RM of Montcalm, he is a former committee member of the Letellier school advisory council, a member of the Letellier volunteer fire department, the local Knights of Columbus and a church trustee. In the business world, he is co-owner of Gallant's Family Foods, Letellier's grocery store for 80 years, as well as Del's Speciality Meats.

ROGER BARNABE, *Manager, Finance & Administration*
Mr. Barnabe is an accountant & entrepreneur. In addition to running several corporations, Mr. Barnabe sits on several rural development boards in Canada and the US. He is President of the Montcalm Community Development Board, and Access Montcalm, a high speed internet rural initiative. Mr. Barnabe is also vice-chair of Northern Great Plains Inc.& Red River Trade Council, two Canadian / US rural development think tanks.

DIRECTORS

NANCY BETTCHER
Ms. Bettcher is a director of both the Manitoba Hazardous Waste Management Corp. and Miller Environmental Corp. She is Director, Marketing (U.S.) for Pollard Banknote Ltd. in Winnipeg. She graduated in commerce from the University of Manitoba and then took her Masters in Business Administration. She is a member of the Young Associates, a support group for the U of M's business school.

DR. ART CHOW
Dr. Chow is a professor of chemistry, analyst and researcher at the University of Manitoba. A runner and photographer, he is also on the executive of the Manitoba Marathon Foundation.

MURRAY CRADDOCK
Mr. Craddock is a Winnipeg staff representative for the Canadian Union of Public Employees. With more than 20 years of experience in labour relations, he handles contract negotiations and grievances for workers in the social care, daycare and health care industries. Previously, he was on the boards of Blue Cross and the Society for Manitobans with Disabilities.

DR. BILL PATON
Dr. Paton is a professor of biology at Brandon University. He is active in the Manitoba Association of Plant Biologists and a former board member at Brandon University where he has taught since 1974. As well, he helped develop composting and recycling initiatives through his membership on the City of Brandon Solid Waste Management Committee.

Note: Two board vacancies are expected to be filled in the near future.

MESSAGE FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

OF MANITOBA HAZARDOUS WASTE CORPORATION (MHWMC)

Your board is constantly reviewing the feasibility of broadening its influence in the collection and disposal of hazardous material in Manitoba.

Through presentations and other representations, we are continuing to press the provincial government to ensure that the Miller Environmental Centre (MEC) is part of any new plan to improve the efficiency of hazardous waste disposal in the province.

Hopefully, the government's proposed new stewartship program will result in more hazardous material being routed for proper processing to the MEC plant - instead of being sent to landfills or disposed of by other questionable methods.

We are forcefully stating our case because the ISO certifications recently achieved by the plant (9001:2000 and 14001: 1996) recognize that hazardous waste is being processed in a state-of-the-art facility with the highest quality and environmental standards. The certification - granted by the International Standards Organization of Geneva, Switzerland - is a world-wide symbol for excellence and is not given out lightly.

We also believe it is important to protect and enhance employment for Manitobans at the only processing facility of its kind serving not only Manitoba, but nearby provinces and U.S. states as well. During the coming year, the board will look at adding an educational component to its activities so that the public will know more about the types of waste being collected and where they go. The goal of the program, aimed at both the general public and schools, will be to make everybody aware of the need to protect the environment and ultimately reduce disposal costs for both hazardous material users and taxpayers.

From a fiscal standpoint, this was the third straight year that MHWMC, a provincial crown corporation, received rent from Miller Environmental Corp. which operates the MEC processing plant near St. Jean Baptiste. The rent is an indication of stability in a business where there are limited growth opportunities due to a sometimes sluggish heavy manufacturing economy and heightened awareness of environmental protection. We are pleased that Miller, our partner since 1996, continues to strive to find new markets.

There has always been a good relationship between MHWMC and the Miller Corp. But even so, the past year has tested some of the fundamental issues behind the partnership. At the root of it all was the interpretation of calculations used by Miller to determine the amount of rent due to MHWMC.

After months of deliberation, the external auditors for both MHWMC and the corporation agreed to a formula for calculating rent. Now we can move ahead and use this joint formula to expedite rent collection and more reliably forecast future revenue.

The issues facing the partnership were further reviewed and clarified in April, 2003, when your chairman and MHWMC Director Nancy Bettcher joined the two other provincial government appointees in attending a board meeting of the Miller Environmental Corporation.

Another significant development has been Miller's progress in finding an efficient treatment for Lindane-coated Canola seed. Now that composting before field spreading has emerged as the favoured method, this should be the final year of this project. I personally saw the progress in July, 2002, when I was given a tour of the compost area by Marcel Bissonnette, the MEC's operations manager.

We at MHWMC are expecting another year of progress and good communication between ourselves, Miller Environmental, the Community Liaison Committee and the Manitoba Conservation Dept. However, there will be some new faces at the table.

We will report to new Conservation Minister Steve Ashton who has succeeded Oscar Lathlin. I

had introductory discussions with Mr. Ashton at a March 13 meeting and our board members are looking forward to working with him. We will miss Mr. Lathlin for his interest in the board and his appointments of new board members when we had a need to fill vacancies.

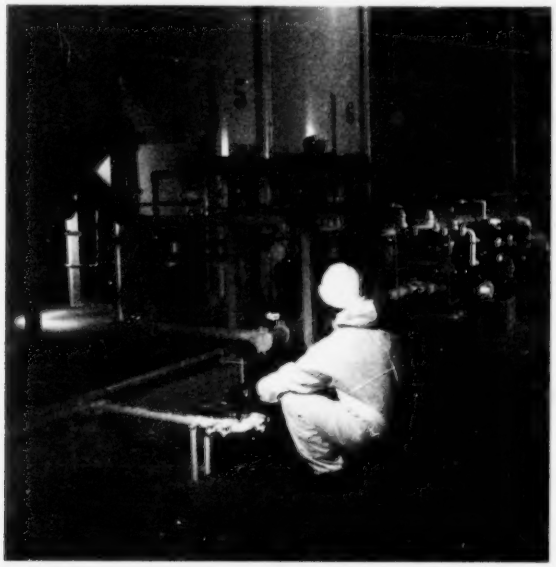
At the administrative level, we have said thanks and farewell to Conservation Assistant Deputy Minister Harvey Boyle. His responsibilities for liaison between the department and the board have been assumed by ADM Dave Wotton whom we welcome back.

Currently, we are anticipating that Mr. Ashton will soon appoint replacements for two MHWMC directors who have resigned. Denis Barnabe, an RM of Montcalm councillor who was named to our board in 1996, has retired and moved to the west coast, while John Krowina, formerly a Winnipeg lawyer, is now a Saskatchewan resident. On behalf of the Manitoba Hazardous Waste Management Corporation I would like to thank them both for their dedication & service.

In closing, I would like to thank all board members for another year of service. Their many different skills and perspectives contribute in a variety of ways to meeting our challenges. We have also benefitted from the expertise and hard work of Roger Barnabe, manager of finance and administration.

It is a humbling experience to work with such professionals who are prepared to give their valuable and extremely limited time to serve on the board and management of our provincial crown corporation.

Richard A. Gallant,
Chairman and Chief Executive Officer.



MESSAGE FROM THE COMMUNITY LIAISON COMMITTEE

The Community Liaison Committee (CLC) looks forward to continuing good relations with the Manitoba Department of Conservation and Miller Environmental Corporation.

The CLC meets regularly with Miller and reviews all Miller and Conservation Dept. correspondence relating to the Manitoba Environmental Centre (MEC) plant in the R.M. of Montcalm.

We have received a copy of the latest Environmental Monitoring Program Report on the plant's operations. It has been forwarded to a CLC member with a background in chemistry. As usual, we will also closely inspect the review of the report conducted by the board of the Manitoba Hazardous Waste Management Corporation (MHWMC).

The canola composting project initiated at the plant by Mid-Canada Soils resumed in the spring of 2003. Steps have been taken to alleviate the concerns of nearby local residents who have complained about odours emitted from the project. During the summer of 2002, the complaints were again brought to the attention of CLC members by residents unhappy about a possible repeat of the previous year's foul smell during August and September.

In response, the CLC met with Conservation officials in April in an attempt to resolve this issue. It was concluded that two compost rows in particular were responsible for the bulk of the odour. The CLC suggested that these rows should be land farmed in the spring of 2003 and incorporated into the soil as soon as possible. Previously, the rows were turned over continuously throughout the summer. But since the adoption of the CLC's suggestion, the offending rows have been buried and the remaining rows have been covered with straw after turning in order to mitigate any further odours.

To date, in fact, three rows of compost have been spread and incorporated into nearby farm land, making the smell much less acute than in 2002. The other rows have been bulked up and covered with straw which also appears to be controlling odour.

As well, the CLC sat down in April with Ed Yee, Senior Consultant Toxic Chemicals, of the Conservation Department to resume discussions about the Land Value and Agricultural Products Protection Programs. These programs are to compensate local land owners should a future devaluation of property or produce occur as a result of the province's decision to locate the MEC plant in Montcalm. The province and the RM agreed in principle to the programs during initial development of the plant in the municipality. But in the CLC's opinion, further refinement of the programs is required for satisfactory implementation.

One issue is wording that limits the area surrounding the plant to which the program would apply. Another is the termination clause, interpreted by the CLC to mean that the involved parties are allowed to opt out of the programs with 30 days' notice.

Both points were left with Mr. Yee to discuss with the department's legal counsel. A revised draft has been returned from the department and is currently under review by the CLC.

As far as operations are concerned, the CLC is pleased to see that new processing activities have been initiated to assure continued viability of the plant. These include a tote washing operation creating additional plant employment and a plan to extract mercury from fluorescent tubes before the tubes are crushed and stabilized prior to landfilling. Miller is also looking at the possibility of processing, shredding and encapulsating waste from batteries other than the type used in vehicles.

One last point worth mentioning is the recent ISO certification of Miller. This has not gone unnoticed by the CLC and achievement of these high standards for work quality and environmental protection should further ensure the safe operation of the site. We wish to again congratulate Miller on meeting the ISO requirements for clear protocols and standards of operation.

Gaetan Fontaine, Chairman,
Montcalm Community Liaison Committee

OPERATIONS

The Manitoba Environment Centre (MEC) remained profitable during the past year despite a shrinking Manitoba market for the collection and disposal of hazardous wastes.

Miller Environmental Corporation, operator of the centre for the past seven years, countered economic decline in several industrial sectors by aggressively marketing its services and adding more waste treatment processes. As a result, MEC continues to do well and Miller was able to pay rent for the third consecutive year to the Manitoba Hazardous Waste Management Corporation (MHWMC), owners of the centre.

While the centre's business was stable, Miller particularly noticed a significant reduction in contaminanted materials from heavy metal manufacturing, the airlines and the railroads. Both the airline and aerospace industries have been in the doldrums since the Sept. 11, 2001 terrorist attacks on New York City and other U.S. targets. All transportation companies, including bus-makers, were further weakened by the global SARS epidemic that curbed travel in late 2002 and early 2003.

As well, there were fewer chemical spills and other environmental emergencies during the past 12 months. This was good news for governments and the public, but a mixed blessing for Miller which specializes in clean-ups.

On the brighter side, the centre received more hazardous materials for processing from the pharmaceutical industry whose companies appear to be thriving. Consequently, Miller was able to maintain its complement of 30 employees, including a dozen at the MEC plant.

With 385 customers at present, Miller is striving to expand the list by developing new markets to the west and south. It has established a good relationship with two Alberta waste brokers, adding that province to its traditional market of Manitoba, Saskatchewan and Northwestern Ontario. It also continues to explore and pursue opportunities in the mid-western United States, a step that will likely require business partners there due to government regulations.

In the residential sector, Miller has a contract to collect and dispose of household hazard wastes in Thunder Bay, Ont. Under a Manitoba Government program, it is also collecting household hazardous wastes at depots throughout the province for the fifth year in a row. The government is planning to eliminate the program and implement a user pay system where consumers will pay a retail levy for hazardous residues to be picked up by a private contractor. Miller is interested in obtaining that business when the change is made next April 1.

In addition, the centre is interested in more profitable Lindane disposal business now that a consultant has helped Miller to develop an effective way of neutralizing this contaminated Canola seed. This could happen in 2004 as the new method of composting and burying the seeds in a field should have proven itself by the end of 2003.

Besides strong marketing, Miller invested in equipment during the last fiscal year so that several more types of waste can be treated efficiently at the MEC plant. Processes are being added for stabilizing oil-based paints and compacting oil drums, as well as for removing mercury from fluorescent light tubes before the tubes are crushed and sent to a landfill. Furthermore, Miller is looking at the possibility of processing batteries other than the kind used in vehicles.

Through the dual strategy of diversification and expansion of markets, Miller and the centre are laying a solid foundation for the future. •

OUTLOOK

Officials of Miller Environmental Corporation are cautiously optimistic about prospects for the coming fiscal year.

They say the year has opened with a steady flow of business that will likely result in another profit in 2003-04.

To maintain volumes through the 12 months, Miller intends to continue its dual strategy of aggressive marketing and diversifying into more waste treatment processes at the Manitoba Environmental Centre (MEC) plant near St. Jean Baptiste. Appropriate investments are being made to ensure the positive trend remains in place.

The Manitoba Hazardous Waste Management Corporation (MHWMC), owner of the plant, has endorsed the MEC business plan and hopes it will continue to yield more rent than received from Miller during the past three years.

Miller officials are heartened by the City of Winnipeg's recent publication of a comprehensive environmental strategy for the city for the next 100 years. They say this is a positive step that could result in long-term work for Miller providing that the city follows up by alloting sufficient funds to implement the strategy.

Miller is also enthusiastic about the Canadian Environmental Protection Act and signs that federal officials are getting more serious about guarding the environment by strictly enforcing the act. They state that the corporation would benefit immensely if all provinces and municipalities across the prairies would give priority to the environment and follow Ottawa's example by strengthening their inspection forces.

The MEC plant has already prepared for the years ahead by obtaining certification from the International Standards Organization (ISO) of Geneva, Switzerland. Independent auditors looked at every apect of the plant's operations before certifying that it meets ISO standards for both quality of work and environmental protection. Besides guaranteeing excellence for customers, the regularly-reviewed certification gives Miller a significant sales and marketing advantage in the highly competitive hazardous waste disposal industry.

Both Miller and the MHWMC - in fact - are dedicated to continuously improving the treatment of hazardous wastes through the adoption of better methods and processes. The ISO certification demonstrates this commitment and bodes well for an exciting future at the plant. •

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AUDITOR'S REPORT

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the balance sheet of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION** as at March 31, 2003 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

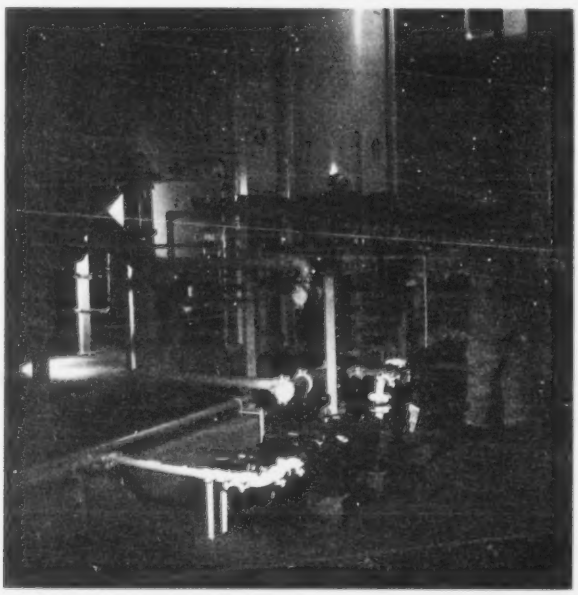
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 12, 2003



BALANCE SHEET

March 31	2003	2002
Assets		
Current Assets		
Cash and bank	$ 195,360	$ 224,444
Accounts receivable (Note 3)	89,615	77,770
	284,975	302,214
Long-term investment - Miller Environmental Corporation	1,000,000	3,000,000
Capital assets - land, at cost	170,305	170,305
Deferred development costs (Note 1)	-	3,301,925
	$ 1,455,280	$ 6,774,444
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,503	$ 10,194
Equity		
Share capital (Note 2)	7,500,000	7,500,000
Deficit	(6,055,223)	(735,750)
	1,444,777	6,764,250
	$ 1,455,280	$ 6,774,444

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

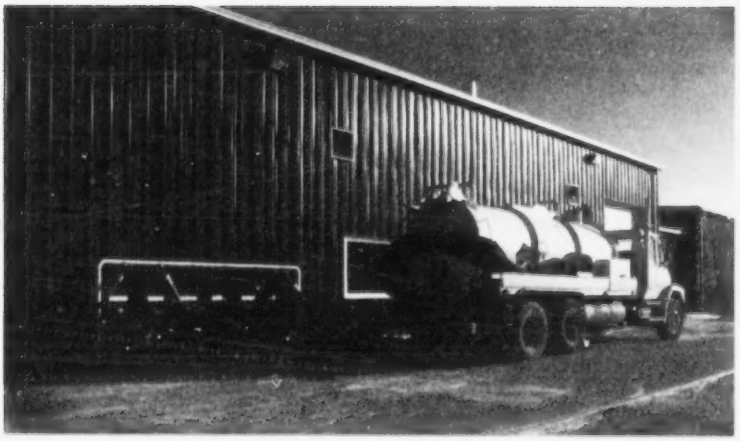
STATEMENT OF OPERATIONS AND DEFICIT

For the year ended March 31	2003	2002
Revenue		
Capital tax	$ -	$ 63,232
Gross profit rent (Note 3)	11,845	77,770
	11,845	141,002
Expenses		
General and administrative expenses	29,393	46,059
Amortization of deferred development costs	-	240,140
	29,393	286,199
Loss before other items	(17,548)	(145,197)
Other Items		
Impairment of deferred development costs (Note 1)	(3,301,925)	-
Writedown of long-term investment	(2,000,000)	-
	(5,301,925)	-
Net loss for the year	(5,319,473)	(145,197)
Deficit, beginning of year	(735,750)	(590,553)
Deficit, end of year	$ (6,055,223)	$ (735,750)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

10 STATEMENT OF CASH FLOWS

For the year ended March 31	2003	2002
Cash Flows from Operating Activities		
Net loss for the year	$ (5,319,473)	$ (145,197)
Adjustments for		
Amortization of deferred development costs	-	240,140
Impairment of deferred development costs	3,301,925	-
Writedown of long-term investment	2,000,000	-
	(17,548)	94,943
Changes in non-cash working capital balances		
Accounts receivable	(11,845)	(57,770)
Accounts payable and accrued liabilities	309	(3,314)
Increase (decrease) in cash and cash equivalents during the year	(29,084)	33,859
Cash and cash equivalents, beginning of year	224,444	190,585
Cash and cash equivalents, end of year	$ 195,360	$ 224,444



The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

March 31, 2003

Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The Corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the Corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the Corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

Long-term Investments

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

Rental Income

According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

March 31, 2003

1. Deferred Development Costs

	2003	2002
Balance, beginning of year	$ 3,301,925	$ 3,542,065
Amortization	-	(240,140)
Impairment of deferred development costs	(3,301,925)	-
Balance, end of year	$ -	$ 3,301,925

Deferred development costs of $3,301,925 have been written off during the year in recognition of a permanent impairment in value.

2. Share Capital

The authorized capital of the company is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2003	2002
75,000 common shares	$ 7,500,000	$ 7,500,000

3. Gross Profit Rent

On January 1, 1996, Miller Environmental Corporation (MEC) entered into a site lease agreement with the Manitoba Hazardous Waste Management Corporation (MHWMC). Under the terms of the agreement, MEC is committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year.

The estimated rental profit receivable recorded in 2003 based on the audited financial statements of MEC for the fiscal years ending February 28, 2003, 2002 and 2001 is as follows:

February 28, 2003	$ 16,998
February 28, 2002	57,323
February 28, 2001	15,294
	$ 89,615

4. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

5. Economic Dependence

The Corporation is economically dependent on Miller Environmental Corporation. The Corporation's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

6. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $11,977. No employee's compensation exceeded $50,000 per year.

7. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

BOARD OF DIRECTORS

Mr. Richard Gallant, Chairmain and CEO
Dr. Art Chow
Ms. Nancy Bettcher
Mr. Murray Craddock
Dr. Bill Paton

Richard Gallant is a representative of the Rural Municipality of Montcalm under the Manitoba - Montcalm Co-Management Agreement.

MHWMC MANAGEMENT

Mr. Richard Gallant, Chairman and CEO
Mr. Roger Barnabé, Manager, Finance and Administration

MILLER ENVIRONMENTAL CORPORATION

Provincial appointees to the Miller Environments Corporation board of directors

Mr. Florent Beaudette, St. Jean Baptiste *
Mr. Richard Gallant, Letellier *
Mr. Chris O' Grady, Winnipeg
Ms. Nancy Bettcher, Winnipeg

* Representatives of the Rural Municipality of Montcalm
Note: The other five members of this nine-member board are chosen by Miller Waste Systems, the joint venture partner with the MHWMC.

MEC MANAGEMENT

Mr. Vaughn Bullough, General Manager
Ms. Judy Barnabé, Administration and Accounting Manager
Mr. Marcel Bissonnette, Plant Operations Manager
Mr. Ross Edmunds, Technical Manager
Ms. Tammy Shimoji, Customer Service Manager

NOTES

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MANITOBA HAZARDOUS WASTE MANAGEMENT

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